

[Exemptions]

[Federal income tax exempt status issued by IRS &/or as declared by Taxpayers]

26 U.S. Code § 501 (c)(27)



501(c)(27) — State-Sponsored Workers' Compensation Reinsurance Organization



Part 7. Rulings and Agreements

Chapter 25. Exempt Organizations Determinations Manual

Section 43. Qualified State-Sponsored Workers' Compensation Organizations

7.25.43 Qualified State-Sponsored Workers' Compensation Organizations

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7.25.43.1 (02-23-1999)

Overview

1. For taxable years beginning after December 31, 1997, IRC 501(c)(27)(B) and IRC 501(a) provide for the exemption from federal income tax of qualified workers' compensation act membership organizations. IRC

501(c)(27)(A) and IRC 501(a) provide for the exemption of qualified workers' compensation reinsurance organizations.

2. Like other IRC 501(a) organizations, the IRC 501(c)(27) organizations may be subject to the IRC 6033 information filing requirement and IRC 511-514 (concerning unrelated business income tax) . The exemption application form is the Form 1024.

7.25.43.2 (02-23-1999)

Workers' Compensation Act Membership Organizations

1. A "workers' compensation act membership organization" is any organization (including a mutual insurance company) that meets the requirements below:

a. Is created by state law and is organized and operated under state law exclusively:	<ul style="list-style-type: none"> • to provide workers' compensation, which is required by state law or with respect to which state law provides significant disincentives if such insurance is not purchased by an employer, and
b. Must provide workers' compensation insurance to any employer in the state (for both employees in the state and those temporarily out-of-state) which seeks such insurance and meets other reasonable requirements relating thereto.	<ul style="list-style-type: none"> • to provide related coverage which is incidental to workers' compensation insurance.
c. Receives a financial commitment from the state in the form of:	<ul style="list-style-type: none"> • an extension of the full faith and credit of the state to the organization's initial debt, or • a provision of the organization's initial operating capital.
d. For taxable periods after August 5, 1997, has assets, all of which revert to the state upon dissolution or the state does not permit the organization's dissolution organization.	
e. Has a majority of its board of directors or its oversight body appointed:	<ul style="list-style-type: none"> • by the state's chief executive officer or other executive branch official • by the state's legislature, or • by both

2. IRC 501(c)(27)(A) describes any workers' compensation reinsurance organization that is established by a state before June 1, 1996, and that meets other requirements stated in IRC 501(c)(27)(A).

7.25.43.3 (02-23-1999)

Information Returns

1. IRC 6033 may require any IRC 501(c)(27) organization to annually file an information return. These returns are subject to IRC 6104 (concerning disclosure of information returns).

7.25.43.4 (02-23-1999)

Unrelated Business Income

1. An IRC 501(c)(27) organization is subject to the unrelated business income tax, and must submit the Form 990-T for each taxable year it has gross unrelated taxable income of \$1,000 or more.

7.25.43.5 (02-23-1999)

Exemption Application

1. An IRC 501(c)(27) organization must file the Form 1024 as part of its exemption application process. Upon recognition of exemption, the exemption application is subject to IRC 6104.

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